

**CALENDAR ITEM**

**C62**

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A. Reid

**APPROVE THE LONG BEACH UNIT ANNUAL PLAN  
(JULY 1, 2002 through JUNE 30, 2003),  
LONG BEACH UNIT, WILMINGTON OIL FIELD,  
LOS ANGELES COUNTY**

**APPLICANT:**

City of Long Beach  
Attn.: Mr. Dennis M. Sullivan, Director  
Department of Oil Properties  
211 East Ocean Boulevard, Suite 500  
Long Beach, CA 90802

**BACKGROUND:**

In accordance with Chapter 941 of the Statutes of 1991 (AB 227) and the Agreement for Implementation of an Optimized Waterflood Program for the Long Beach Unit, the Long Beach Unit Annual Plan (July 1, 2002 - June 30, 2003) has been submitted by the City of Long Beach (City) to the California State Lands Commission (Commission) on March 13, 2002.

At its meeting on February 26, 2002, the Long Beach City Council adopted the proposed Annual Plan and authorized its submittal to the Commission for consideration and approval. The Commission has 45 days following formal submission of the Annual Plan to take action. If no action is taken, the plan is deemed to be approved as submitted. The economic projections for the period July 1, 2002 through June 30, 2003 (as presented by the City) are shown below:

Revenue	\$205,600,000
Expenditures	\$192,600,000
Net Income:	\$ 13,000,000

As presented, the Long Beach Unit Annual Plan includes anticipated rates of production, revenues, expenditures, and net profits for the Unit as projected by

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the City of Long Beach Department of Oil Properties. The City has estimated that the Unit net income for the 2002-2003 Fiscal Year will be \$13.0 Million, after total Expenditures of \$192.6 Million. Although the proposed Annual Plan total expenditures are about the same as the current Five-Year Program Plan, the proposed Annual Plan's net income is about \$64.2 million less than the Program Plan. The difference in net income can be attributed to: 1) The current Program Plan contained a \$34.5 million credit during the 2002-2003 Fiscal Year for selling the Long Beach Unit Power Plant to a financing company. Financing plans have changed for the power plant project since the writing of the Program Plan. Occidental Energy Ventures Corporation will be financing the power plant construction without utilizing Unit funds. 2) The remaining difference of about \$30 million in net income can be attributed to updated lower oil rate and oil price estimates. The proposed Annual Plan income scenario is based on a forecast oil production rate of 33,758 bbls/day, which is about 2,000 bbl/day less than the Five-Year Program Plan projection. The reduction in oil production volume is a result of the combination of several factors. Higher operational costs and lower oil prices resulted in the shut-in of additional uneconomic wells; higher than expected well failure rate due to I6 electrical power interruptions; lower than expected development program results; and the adoption of stricter voidage rules. Also, revenues for the proposed Annual Plan are based on an updated average oil price of \$16.00/bbl as apposed to the Program Plan's estimate of \$17.00/bbl. The proposed Annual Plan allows for drilling approximately 24 new and redrilled wells with one active drilling rig for Fiscal Year 2002-2003, and one completion rig for six months.

Commission staff has reviewed the Annual Plan as submitted by the City and believes that it provides an engineering framework to meet the objectives of the Optimized Waterflood Agreement and is based on all engineering, geologic, and economic information available at the time of preparation. Engineers representing the State, City, THUMS, and OXY agree that objectives will be met in all areas of interest, including those of good oil field practice, proper reservoir management, safety to employees and the public, and environmental protection, through active participation by all parties at Unit forums, Engineering Committee meetings, Voting Party Committee meetings, and during events as they occur in the field.

**OTHER PERTINENT INFORMATION**

1. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines [Title 14, California Code of Regulations, section 15060(c)(3)], the staff has determined that this activity is not subject to the provisions of

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the CEQA because it is not a “project” as defined by the CEQA and the State CEQA Guidelines.

Authority: Public Resources Code section 21065 and Title 14, California Code of Regulations, sections 15060 (c)(3) and 15378.

**EXHIBITS:**

- A. Letter from the City of Long Beach requesting approval of the Long Beach Unit Annual Plan (July 1, 2002 – June 30, 2003) from the California State Lands Commission.
- B. Long Beach Unit Annual Plan (July 1, 2002 – June 30, 2003)

**PERMIT STREAMLINING ACT DEADLINE:**

N/A

**RECOMMENDED ACTION:**

IT IS RECOMMENDED THAT THE COMMISSION:

**CEQA FINDING:**

FIND THAT THE ACTIVITY IS NOT SUBJECT TO THE REQUIREMENTS OF THE CEQA PURSUANT TO TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15060(c)(3) BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY PUBLIC RESOURCES CODE SECTION 21065 AND TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15378.

**AUTHORIZATION:**

APPROVE THE LONG BEACH UNIT ANNUAL PLAN (JULY 1, 2002 THROUGH JUNE 30, 2003), LONG BEACH UNIT, WILMINGTON OIL FIELD, LOS ANGELES COUNTY.